

KANSAS CITY DISTRICT OFFICE LENDER'S NEWSLETTER SPECIAL EDITION

March 16, 2009

Recovery Efforts Announced by President Obama Today

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Helping small businesses
 start, grow and succeed.

U.S. Small Business Administration

SBA
 Your Small Business Resource

Beginning today, the SBA will:

Temporarily raise guarantees to up to 90 percent on SBA's 7(a) loan program, through calendar year 2009, or until the funds are exhausted. This increase in guarantee levels will help provide banks with the greater confidence they need to extend credit during the current recession, will mean more capital available to small business owners around the country. This 90 percent guaranty starts on March 16, 2009.

Temporarily eliminate fees for borrowers on SBA 7(a) loans and for both borrowers and lenders on 504 Certified Development Company loans, through calendar year 2009, or until the funds are exhausted. This will mean more capital available to small businesses at a lower cost. The fee elimination is retroactive to February 17, the day the Recovery Act was signed. SBA is developing a mechanism for refunding fees paid on loans since then.

Additionally, the President announced today that the Treasury Department will commit up to \$15 billion to help unlock the frozen credit markets by purchasing small business loan securities currently frozen on the secondary market. By purchasing these securities, it will unlock these secondary markets, and in turn, free up more capital to jumpstart lending for small business owners. The SBA has worked closely with the Treasury Department to address the need to unlock these secondary markets for SBA loans.

For more information on the SBA and Treasury initiatives announced today by the President, visit the SBA Web site at www.sba.gov.

The SBA has NOT released the program details regarding the proposed \$35,000 "Stabilization" new loan program for existing businesses that will carry a 100% guaranty with participating lenders. When the details become available, SBA will send out a separate notice on that newly created program.



SBA Policy Notice

TO:	All SBA Employees	CONTROL NO.:	5000-1098
SUBJECT:	Implementation of Section 502 of the Recovery Act - Up to a 90 Percent Guaranty on 7(a) Loans	EFFECTIVE:	3/16/2009

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") (P.L. 111-5). Section 502 of the Recovery Act authorizes SBA to guarantee up to 90 percent of a 7(a) loan except for SBA Express. SBA Express remains at a 50 percent guaranty. The purpose of this Notice is to announce the implementation of the increased guaranty percentage on eligible 7(a) loans. A notice on this subject will also be published in the Federal Register.

Prior to the signing of the Recovery Act, with two exceptions, the maximum guaranty percentage for all 7(a) loan programs, including Pilot Loan Programs, ranged from 85 percent for loans of \$150,000 or less to 75 percent for loans greater than \$150,000. (13 CFR Part 120) (For SBA Express loans, the maximum guaranty is 50 percent. For EWCP loans, Section 7(a)(2)(D) of the Small Business Act permits a 90 percent guaranty.)

Guaranty Percentage and Loan Amount

As of the date of this Notice, a Lender may request up to a 90 percent guaranty for a 7(a) loan submitted under the following programs:

<u>Loan Program</u>	<u>Maximum loan amount</u>	<u>Maximum guarantee amount</u>
Standard 7(a)	\$ 2,000,000	\$ 1,500,000
CLP	\$ 2,000,000	\$ 1,500,000
PLP	\$ 2,000,000	\$ 1,500,000
Small/Rural Lender Advantage	\$ 350,000	\$ 315,000
Community Express	\$ 250,000	\$ 225,000
Patriot Express	\$ 500,000	\$ 450,000
Export Express	\$ 250,000	\$ 225,000
Gulf Opportunity	\$ 150,000	\$ 135,000

The Recovery Act did not change the maximum SBA guaranteed amount which remains at \$1,500,000. Therefore, for those loan programs that have a maximum loan amount greater than \$500,000 (Standard 7(a), CLP, and PLP), in order for the loan to receive a 90 percent guaranty, the loan amount cannot exceed \$1,666,666 (\$1,500,000 divided by 90 percent).

For loans greater than \$1,666,666, the maximum guaranty will be calculated as follows: \$1,500,000 (SBA guaranteed amount) divided by the loan amount rounded down to the second decimal. For example, if the loan amount is \$1,680,000, then the guaranty percentage would be \$1,500,000 divided by \$1,680,000, which equals 89.2857 percent, rounded down to 89.28 percent.

For loans to borrowers with existing SBA-guaranteed loans, the new loan will also have a guaranty percentage less than 90 percent when necessary to comply with the Small Business Act's limitation of no more than \$1,500,000 in guaranteed amount to one borrower (including affiliates). (Section 7(a)(2)(D)(3) of the Small Business Act provides a higher maximum guaranteed amount for certain loans used for export purposes.)

Prohibition on Use of Funds

Section 1604 of the Recovery Act states that none of the funds appropriated or otherwise made available in this Act may be used by any State or local government, or any private entity, for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool. Further guidance will be issued on this subject in the near future.

For loans for these Recovery Act prohibited uses, lenders may continue to submit applications in accordance with SOP 50 10 5(A) for the maximum guaranty percentage of 75/85, depending on the loan amount, and pay all applicable fees.

Additional Requirement for the Increased Guaranty

The Recovery Act requires that the Borrower meet an additional requirement for the increased guaranty:

No loan guarantee under this initiative may be made to any entity found, based on a determination by the Secretary of Homeland Security or the Attorney General, to have engaged in a pattern or practice of hiring, recruiting or referring for a fee, for employment in the United States an alien knowing the person is an unauthorized alien.

Therefore, prior to first disbursement, the Lender must require the Borrower and any Operating Company to certify as follows:

Immigration Laws — Neither the Borrower nor Operating Company has been determined by the Secretary of Homeland Security or the Attorney General to have engaged in a pattern or practice of hiring an alien, recruiting an alien or referring an alien for a fee for employment in the United States, knowing that the person is an unauthorized alien.

Version 2009.2 of the 7(a) Loan Authorization, which will be available shortly, will incorporate this certification for standard 7(a), CLP, PLP and Small/Rural Lender Advantage loans. For any Pilot Loan Program loans, the lender will be responsible for adding this requirement to the lender's authorization.

This certification is in addition to the existing disclosure requirement on SBA Form 912, Statement of Personal History.

Lenders and/or borrowers may be subject to additional reporting or recordkeeping requirements in connection with loans under the Recovery Act.

Submission Process

There will be no change to the submission process. E-tran submission is strongly encouraged for all loans processed under a lender's delegated authority. The provisions of the Small Business Act applicable to the 7(a) program and the regulations promulgated thereunder will continue to apply to loans with the higher guaranty percentage.

Expiration Date

The increased guaranty percentage of up to 90 percent is offered in conjunction with the fee eliminations announced today. These terms will be available until the aggregate dollar amount of 7(a) loans made under this authority exhausts the funds dedicated to that purpose. We currently estimate that program level will be approximately \$8.7 billion. Depending on loan volume in the 7(a) program, SBA estimates that the increased guaranty percentage will be available through approximately December 31, 2009.



SBA Policy Notice

TO: All Employees

CONTROL NO.: 5000-1097

SUBJECT: Implementation of Section 501 of the Recovery Act - Fee Elimination Provisions

EFFECTIVE: 3/16/2009

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") (P.L. 111-5). Section 501 of the Recovery Act authorizes SBA to reduce or eliminate certain fees on 7(a) and 504 loans. The purpose of this Notice is to announce the implementation of fee eliminations in the 7(a) Loan Program and the 504 Development Company Program. A notice on this subject will also be published in the Federal Register.

Fee Eliminations

7(a) Loan Guarantee Fee Eliminations: For 7(a) loans approved by SBA on or after February 17, 2009, SBA will temporarily eliminate the Small Business Act section 7(a)(18)(A) fees (upfront guaranty fees) for all eligible loans, including those made with higher SBA guarantees (up to 90%) as provided in section 502 of the Recovery Act. For eligible loans approved between February 17, 2009 and the date of this notice, the Agency will make funds available to refund payments for these fees. The Agency is developing a

refund mechanism. SBA expects to be able to begin issuing refunds by approximately May 1, 2009. If borrowers have already paid lenders for the fee on eligible loans, lenders must reimburse the borrowers from the SBA refund.

Consistent with the prioritization for fee eliminations or reductions in the Recovery Act, the on-going guaranty fee set forth in section 7(a)(23) of the Small Business Act will continue to apply. In addition, SBA's ¼ point guaranty fee set forth in 13 CFR 120.220(a) for loans with maturities of 12 months or less will continue to apply.

SBA will eliminate upfront guaranty fees until the aggregate dollar amount of 7(a) loans made under this authority exhausts the funds dedicated to that purpose. SBA currently estimates that program level will be approximately \$8.7 billion. Depending on loan volume in the 7(a) program, SBA estimates that it will be able to eliminate upfront guarantee fees on loans approved through approximately December 31, 2009.

504 Development Company Program Fee Eliminations: For eligible loans approved through the Agency's section 504 Development Company Program on or after February 17, 2009, SBA will temporarily eliminate two program fees: 1) Third-Party Participation Fees (Small Business Investment Act Section 503(d)(2) fees codified at 13 CFR 120.972); and 2) CDC Processing Fees (13 CFR Section 120.971(a)(1) fees). Consistent with the Recovery Act's temporary elimination of CDC Processing Fees, CDCs will no longer be allowed to collect deposits from small business applicants that would have gone towards payment of the CDC Processing Fee upon loan approval under 13 CFR 120.935. SBA will reimburse the CDCs for the waived CDC Processing Fees.

SBA will pay CDCs two-thirds of the estimated CDC Processing Fee at the time of loan approval by SBA or upon the issuance of a loan number for a loan approved under the Premier Certified Lenders Program. The remainder of the fee will be paid immediately following debenture funding and will be equal to 1.5% of net debenture proceeds for which a CDC does not collect the CDC Processing Fee, minus the amount previously paid. If a borrower has already paid a CDC for the fee, the CDC must reimburse the borrower from the SBA refund. SBA will not permit CDCs to cancel loans approved by SBA prior to February 17th, 2009 and resubmit them in order to qualify for the reimbursement of the processing fee. If the Participation Fee has already been paid to SBA on an eligible loan, SBA will refund the fee.

SBA will eliminate the Participation Fee and the CDC Processing Fee until the aggregate dollar amount of 504 loans made under this authority exhausts the funds dedicated to that purpose. SBA currently estimates that program level will be approximately \$3.6 billion. Depending on loan volume in the 504 program, SBA estimates that it will be able to eliminate these fees on loans approved through approximately December 31, 2009.

Prohibition on Use of Funds

Section 1604 of the Recovery Act states that none of the funds appropriated or otherwise made available in this Act may be used by any State or local government, or any private entity, for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool. Further guidance will be issued on this subject in the near future.

For loans for these Recovery Act prohibited uses, lenders and CDCs may continue to submit applications in accordance with SOP 50 10 5(A) and all applicable fees will apply.

Additional Requirements

The provisions of the Small Business Act and the Small Business Investment Act applicable to the 7(a) and 504 programs and the regulations promulgated thereunder will continue to apply to loans made under the Recovery Act.

Lenders, CDCs and/or borrowers may be subject to additional reporting or recordkeeping requirements in connection with loans under the Recovery Act.